

**REPORT OF THE AUDIT OF THE
LARUE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2010**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE LARUE COUNTY FISCAL COURT

June 30, 2010

The Auditor of Public Accounts has completed the audit of the LaRue County Fiscal Court for fiscal year ended June 30, 2010.

We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of LaRue County, Kentucky.

Financial Condition:

The fiscal court had total net assets of \$10,010,286 as of June 30, 2010. The fiscal court had unrestricted net assets of \$1,609,144 in its governmental activities as of June 30, 2010, with total net assets of \$10,000,740. In its business-type activities, total net cash and cash equivalents were \$9,546 with total net assets of \$9,546. The fiscal court had total debt principal as of June 30, 2010 of \$2,374,826 with \$261,722 due within the next year.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Tommy Turner, LaRue County Judge/Executive
Members of the LaRue County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LaRue County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the LaRue County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, LaRue County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LaRue County, Kentucky, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Tommy Turner, LaRue County Judge/Executive
Members of the LaRue County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LaRue County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2011 on our consideration of LaRue County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

March 22, 2011

LARUE COUNTY OFFICIALS

For The Year Ended June 30, 2010

Fiscal Court Members:

Tommy Turner	County Judge/Executive
William Bryan Durham	Magistrate
William L. Miller	Magistrate
Peggy B. Hawkins	Magistrate
Edward Scotty Lee	Magistrate

Other Elected Officials:

Dale Morris	County Attorney
Ralph Mac Trumbo	Jailer
Linda Carter	County Clerk
Larry Bell	Circuit Court Clerk
Bobby Shoffner	Sheriff
James Q. Shaw	Property Valuation Administrator
Todd Skaggs	Coroner

Appointed Personnel:

Lauralene Reed	County Treasurer
Renee Strock	Administrative Assistant
Kathy Oveson	Administrative Assistant
Timmy Brown	Road Supervisor
Chris Jackson	911 Administrator
Travis Strader	Jail Administrative Assistant

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LARUE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

LARUE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,609,144	\$ 9,546	\$ 1,618,690
Note Receivable	20,000		20,000
Total Current Assets	1,629,144	9,546	1,638,690
Noncurrent Assets:			
Note Receivable	992,000		992,000
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	1,107,499		1,107,499
Buildings	3,800,920		3,800,920
Other Equipment	393,142		393,142
Vehicles and Equipment	298,936		298,936
Infrastructure	4,153,925		4,153,925
Total Noncurrent Assets	10,746,422		10,746,422
Total Assets	12,375,566	9,546	12,385,112
LIABILITIES			
Current Liabilities:			
Financing Obligations Payable	101,722		101,722
General Obligation Bonds Payable	100,000		100,000
Revenue Bonds Payable	60,000		60,000
Total Current Liabilities	261,722		261,722
Noncurrent Liabilities:			
Financing Obligations Payable	1,153,104		1,153,104
General Obligation Bonds Payable	960,000		960,000
Total Noncurrent Liabilities	2,113,104		2,113,104
Total Liabilities	2,374,826		2,374,826
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	8,391,596		8,391,596
Unrestricted	1,609,144	9,546	1,618,690
Total Net Assets	\$ 10,000,740	\$ 9,546	\$ 10,010,286

The accompanying notes are an integral part of the financial statements.

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LARUE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2010

LARUE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,454,822	\$ 99,240	\$ 358,471	\$
Protection to Persons and Property	1,897,600	1,766,875	184,638	
General Health and Sanitation	131,567			
Social Services	30,701			
Recreation and Culture	197,328			
Roads	921,969		912,073	
Debt Service	132,926			
Total Governmental Activities	4,766,913	1,866,115	1,455,182	
Business-type Activities:				
Jail Canteen	168,624	165,488		
Total Business-type Activities	168,624	165,488		
Total Primary Government	\$ 4,935,537	\$ 2,031,603	\$ 1,455,182	\$ 0

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Other Taxes

Excess Fees

Unrestricted Investment Earnings

Miscellaneous Revenues

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

LARUE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (997,111)	\$	\$ (997,111)
53,913		53,913
(131,567)		(131,567)
(30,701)		(30,701)
(197,328)		(197,328)
(9,896)		(9,896)
(132,926)		(132,926)
(1,445,616)		(1,445,616)
	(3,136)	(3,136)
	(3,136)	(3,136)
(1,445,616)	(3,136)	(1,448,752)
826,507		826,507
228		228
153,837		153,837
331,497		331,497
142,150		142,150
35,962	32	35,994
160,560		160,560
1,650,741	32	1,650,773
205,125	(3,104)	202,021
9,795,615	12,650	9,808,265
\$ 10,000,740	\$ 9,546	\$ 10,010,286

The accompanying notes are an integral part of the financial statements.

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LARUE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

LARUE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 1,438,373	\$ 112,067	\$ 57,473	\$ 1,231	\$ 1,609,144
Total Assets	<u>1,438,373</u>	<u>112,067</u>	<u>57,473</u>	<u>1,231</u>	<u>1,609,144</u>

FUND BALANCES

Unreserved:					
General Fund	1,438,373				1,438,373
Special Revenue Funds		112,067	57,473		169,540
Debt Service Fund				1,231	1,231
Total Fund Balances	<u>\$ 1,438,373</u>	<u>\$ 112,067</u>	<u>\$ 57,473</u>	<u>\$ 1,231</u>	<u>\$ 1,609,144</u>

**Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 1,609,144
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	17,915,168
Accumulated Depreciation	(8,160,746)
Receivables Reported At The Government-Wide Level Are Not Current Financial Resources And Therefore Are Not Reported In The Funds	1,012,000
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(1,254,826)
Bonded Debt	<u>(1,120,000)</u>
Net Assets Of Governmental Activities	<u>\$ 10,000,740</u>

The accompanying notes are an integral part of the financial statements.

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LARUE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

LARUE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 1,309,530	\$	\$	\$	\$ 1,309,530
In Lieu Tax Payments	2,539				2,539
Excess Fees	142,150				142,150
Licenses and Permits	96,840				96,840
Intergovernmental	510,350	912,073	1,353,459		2,775,882
Charges for Services	431,739		14,437		446,176
Miscellaneous	107,467	22,549	32,942		162,958
Interest	29,239	5,746	978		35,963
Total Revenues	<u>2,629,854</u>	<u>940,368</u>	<u>1,401,816</u>		<u>4,972,038</u>
EXPENDITURES					
Current:					
General Government	474,861				474,861
Protection to Persons and Property	663,893		1,215,105		1,878,998
General Health and Sanitation	124,041				124,041
Social Services	24,482				24,482
Recreation and Culture	192,034				192,034
Roads		774,518			774,518
Debt Service:	68,878		13,301	211,830	294,009
Administration	595,403	133,246	223,136		951,785
Total Expenditures	<u>2,143,592</u>	<u>907,764</u>	<u>1,451,542</u>	<u>211,830</u>	<u>4,714,728</u>
Excess (Deficiency) of Revenues Over					
Expenditures Before Other					
Financing Sources (Uses)	<u>486,262</u>	<u>32,604</u>	<u>(49,726)</u>	<u>(211,830)</u>	<u>257,310</u>
Other Financing Sources (Uses)					
Financing Obligation Proceeds	49,480	30,857			80,337
Transfers From Other Funds			180,955	213,060	394,015
Transfers To Other Funds	(180,955)		(213,060)		(394,015)
Total Other Financing Sources (Uses)	<u>(131,475)</u>	<u>30,857</u>	<u>(32,105)</u>	<u>213,060</u>	<u>80,337</u>
Net Change in Fund Balances	354,787	63,461	(81,831)	1,230	337,647
Fund Balances - Beginning	1,083,586	48,606	139,304	1	1,271,497
Fund Balances - Ending	<u>\$ 1,438,373</u>	<u>\$ 112,067</u>	<u>\$ 57,473</u>	<u>\$ 1,231</u>	<u>\$ 1,609,144</u>

The accompanying notes are an integral part of the financial statements.

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LARUE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

LARUE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds	\$	337,647
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Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay		133,834
Depreciation Expense		(430,867)
Assets disposed of, net book value		(700)

Payment on receivables provide current financial resources to Governmental Funds, while at the Government-wide level, a reduction of the receivable occurs. These transactions have no effect on net assets.

Receivable from LaRue County Golf Association		(20,000)
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The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

Financing Obligations Proceeds		(80,337)
--------------------------------	--	----------

Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources.

Financing Obligations Principal Payments		110,548
Bond Principal Payments		155,000

Change in Net Assets of Governmental Activities	\$	205,125
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LARUE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2010

LARUE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2010

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 9,546 .
Total Assets	<u>9,546 .</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	
Unrestricted	9,546 .
Total Net Assets	<u>\$ 9,546 .</u>

The accompanying notes are an integral part of the financial statements.

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LARUE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

LARUE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 97,664
Total Operating Revenues	<u>97,664</u>
Operating Expenses	
Cost of Sales	120,771
Educational and Recreational	<u>495</u>
Total Operating Expenses	<u>121,266</u>
Operating Income (Loss)	<u>(23,602)</u>
Nonoperating Revenues (Expenses)	
Interest Income	32
Income Pay From State	11,222
Inmate Account	56,602
Inmate State Payroll	(1,697)
Inmate Refunds	(32,392)
Jail Bond and Booking Fees	(4,374)
Inmate Medical Fees	(6,729)
Miscellaneous	<u>(2,166)</u>
Total Nonoperating Revenues (Expenses)	<u>20,498</u>
Change In Net Assets	(3,104)
Total Net Assets - Beginning	<u>12,650</u>
Total Net Assets - Ending	<u>\$ 9,546</u>

The accompanying notes are an integral part of the financial statements.

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LARUE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

LARUE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Cash Receipts From Customers	\$ 97,664
Cash Payments To Vendors For Supplies	(120,771)
Cash Payments For Others	(495)
Net Cash Provided By Operating Activities	<u>(23,602)</u>
Cash Flows From Noncapital Financing Activities	
Cash Receipts From State	11,222
Cash Receipts From Inmate Account	56,602
Cash Payments For Inmate State Payroll	(1,697)
Cash Payments For Inmate Refunds	(32,392)
Cash Payments For Jail Bond and Booking Fees	(4,374)
Cash Payments For Inmate Medical Fees	(6,729)
Cash Payments For Miscellaneous	(2,166)
Net Cash Provided By Noncapital Financing Activities	<u>20,466</u>
Cash Flows From Investing Activities	
Interest Earned	32
Net Cash Provided By Investing Activities	<u>32</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,104)
Cash and Cash Equivalents - July 1	<u>12,650</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 9,546</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	Jail Canteen Fund
Operating Income (Loss)	<u>\$ (23,602)</u>
Net Cash Provided By Operating Activities	<u><u>\$ (23,602)</u></u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of LaRue County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

LaRue County Building Commission Corporation

The Building Commission Corporation (Corporation) was created for the financing and construction of a courthouse facility. Fiscal Court has the authority to appoint a voting majority of the Corporation's board of directors and was deemed a component unit of the County. Financial information for the corporation is blended within LaRue County's financial statements and is presented as the Courthouse Improvements Bond 1998 and 1999.

C. LaRue County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting LaRue County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of LaRue County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

The primary government also has the following non-major funds: LaRue County Courthouse Improvements Bond Funds – 1998 and 1999.

Special Revenue Funds:

The Road Fund and Jail Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Funds:

The Courthouse Improvements Bond Fund – 1999 and Courthouse Improvements Bond Fund – 1998 are presented as debt service funds. Debt service funds are to account for the accumulation of resources for and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-15
Infrastructure	\$ 20,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the LaRue County Building Commission Corporation to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the Jail Fund to comply with these requirements.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the fiscal court does not approve the expenses of this fund.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of LaRue County Fiscal Court: LaRue County Extension Service, LaRue County Health Department, and LaRue County Library.

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(D).. According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (4). As of June 30, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Receivables

The LaRue County Golf Association, Inc.

On October 1, 2007, the LaRue County Fiscal Court entered into a lease-purchase agreement with Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$1,072,000 for the renovation of the LaRue County Golf Association's Golf Course. Proceeds were paid directly to the LaRue County Golf Association, Inc. The LaRue County Golf Association, Inc. makes lease payments directly to the Trustee (US Bank) for principal and interest of the obligation. The receivable reflects the principal amount due from The LaRue County Golf Association, Inc. of \$1,012,000 outstanding as of June 30, 2010. The receivable amount corresponds to The LaRue County Golf Association, Inc. outstanding liability as of the end of the year.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,107,499	\$	\$	\$ 1,107,499
Construction In Progress				
Total Capital Assets Not Being Depreciated	1,107,499			1,107,499
Capital Assets, Being Depreciated:				
Buildings	8,251,167			8,251,167
Other Equipment	1,348,009	59,966		1,407,975
Vehicles and Equipment	940,752	68,432	(6,500)	1,002,684
Infrastructure	6,140,407	5,436		6,145,843
Total Capital Assets Being Depreciated	16,680,335	133,834	(6,500)	16,807,669
Less Accumulated Depreciation For:				
Buildings	(4,310,824)	(139,423)		(4,450,247)
Other Equipment	(953,434)	(61,399)		(1,014,833)
Vehicles and Equipment	(627,366)	(82,182)	5,800	(703,748)
Infrastructure	(1,844,055)	(147,863)		(1,991,918)
Total Accumulated Depreciation	(7,735,679)	(430,867)	5,800	(8,160,746)
Total Capital Assets, Being Depreciated, Net	8,944,656	(297,033)	(700)	8,646,923
Governmental Activities Capital Assets, Net	\$ 10,052,155	\$ (297,033)	\$ (700)	\$ 9,754,422

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 71,856
Protection to Persons and Property	124,194
General Health and Sanitation	7,526
Recreation and Culture	5,294
Social Services	6,219
Roads, Including Depreciation of General Infrastructure Assets	215,778
Total Depreciation Expense - Governmental Activities	<u>\$ 430,867</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-term Debt

A. First Mortgage Refunding Revenue Bonds, Series 1998

The LaRue County Building Commission Corporation issued \$630,000 of First Mortgage Revenue Bonds, Series of 1998, dated October 1, 1998, at 4.10% interest rate for the purpose of discharging the First Mortgage Revenue Bonds, Series 1991 bonds, which were issued to construct a courthouse facility. As of June 30, 2010, bonds outstanding were \$60,000. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 60,000	\$ 2,460
Totals	<u>\$ 60,000</u>	<u>\$ 2,460</u>

B. General Obligation Improvement Bonds, Series 1999

The LaRue County Fiscal Court issued \$1,910,000 of General Obligation Improvement Bonds, Series of 1999, dated January 1, 1999, at various interest rates for the purpose of construction of courthouse facilities. As of June 30, 2010, bonds outstanding were \$1,060,000. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 100,000	\$ 47,920
2012	105,000	43,620
2013	105,000	39,000
2014	110,000	34,275
2015-2019	<u>640,000</u>	<u>91,195</u>
Totals	<u>\$ 1,060,000</u>	<u>\$ 256,010</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-term Debt (Continued)

C. Jail Annex

On June 22, 1992, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the construction of a 30-bed jail annex. The principal was \$164,000 at 5.409% interest for a period of 20 years, with interest paid monthly and principal paid annually. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest & Fees</u>
2011	\$ 12,000	\$ 814
2012	13,000	309
Totals	<u>\$ 25,000</u>	<u>\$ 1,123</u>

D. Road Garage Property

On September 12, 1997, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of property for the road garage. The principal was \$385,000 at 4.25% interest for a period of 15 years, with interest and principal paid monthly. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 31,890	\$ 2,530
2012	33,522	1,212
2013	8,645	89
Totals	<u>\$ 74,057</u>	<u>\$ 3,831</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-term Debt (Continued)

E. Loader

On April 18, 2006, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of a Rubber Tired Loader including Fork and Broom attachments. The principal was \$94,317 at 3.69% interest for a period of six years, with interest and principal paid monthly. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2011	\$ 15,000	\$ 1,567
2012	15,000	908
2013	14,317	71
Totals	<u>\$ 44,317</u>	<u>\$ 2,546</u>

F. Golf Course Renovations

On October 1, 2007, the LaRue County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$1,072,000 for the renovation of the LaRue County Golf Association's Golf Course. These payments are to be made by The LaRue County Golf Association, Inc. As of June 30, 2010, the principal outstanding was \$1,012,000. The debt service requirements are:

Fiscal Year Ended June 30	Principal	Interest
2011	\$ 20,000	\$ 50,609
2012	25,000	49,430
2013	25,000	48,274
2014	25,000	47,032
2015	25,000	45,788
2016-2020	165,000	206,892
2021-2025	205,000	160,233
2026-2030	265,000	103,286
2031-2034	257,000	30,220
Totals	<u>\$ 1,012,000</u>	<u>\$ 741,764</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-term Debt (Continued)

G. Emergency Medical Services Vehicles

On January 26, 2009, the LaRue County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust (KACoLT) for the purchase of vehicles for the Emergency Management Services (EMS). The principal was \$38,958 at various interest rates for a period of five years, with interest and principal paid monthly. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 7,549	\$ 1,255
2012	7,936	939
2013	8,341	607
2014	<u>5,062</u>	<u>194</u>
Totals	<u>\$ 28,888</u>	<u>\$ 2,995</u>

H. Pickup Truck

On September 30, 2009, the LaRue County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust (KACoLT) for the purchase of a pickup truck for the Road Department. The principal was \$30,857 at various interest rates for a period of five years, with interest and principal paid monthly. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 5,870	\$ 1,087
2012	6,172	842
2013	6,486	583
2014	6,818	312
2015	<u>1,758</u>	<u>34</u>
Totals	<u>\$ 27,104</u>	<u>\$ 2,858</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-term Debt (Continued)

I. E-911 Consoles

On September 30, 2009, the LaRue County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust (KACoLT) for the purchase of E-911 consoles for the Emergency Management Services (EMS). The principal was \$49,480 at various interest rates for a period of five years, with interest and principal paid monthly. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2011	\$ 9,413	\$ 1,743
2012	9,894	1,350
2013	10,401	936
2014	10,933	500
2015	2,819	54
Totals	<u>\$ 43,460</u>	<u>\$ 4,583</u>

J. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 1,155,000	\$	\$ 95,000	\$ 1,060,000	\$ 100,000
Revenue Bonds	120,000		60,000	60,000	60,000
Financing Obligations	1,285,037	80,337	110,548	1,254,826	101,722
Governmental Activities					
Long-term Liabilities	<u>\$ 2,560,037</u>	<u>\$ 80,337</u>	<u>\$ 265,548</u>	<u>\$ 2,374,826</u>	<u>\$ 261,722</u>

Note 6. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$ 63,020 in interest on financing obligations and \$56,830 in interest on bonds and notes.

Note 7. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 7. Employee Retirement System (Continued)

provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 32.97 percent.

The county's contribution for FY 2008 was \$360,304, FY 2009 was \$346,522, and FY 2010 was \$372,934.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 8. Deferred Compensation

On February 24, 2000, the LaRue County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 9. Insurance

For the fiscal year ended June 30, 2010, LaRue County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Subsequent Events

The Fiscal Court refinanced the General Obligation Improvement Bonds, Series 1999 in February 2011 through KACoLT. The amount refinanced, \$1,545,000, also included funds to improve the jail facility to meet the guidelines for housing federal inmates.

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LARUE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010

LARUE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,209,175	\$ 1,209,175	\$ 1,309,530	\$ 100,355
In Lieu Tax Payments	1,800	1,800	2,539	739
Excess Fees	110,190	110,190	142,150	31,960
Licenses and Permits	75,000	75,000	96,840	21,840
Intergovernmental Revenue	1,707,600	1,707,600	510,350	(1,197,250)
Charges for Services	435,000	435,000	431,739	(3,261)
Miscellaneous	41,500	41,500	81,384	39,884
Interest	45,000	45,000	29,239	(15,761)
Total Revenues	3,625,265	3,625,265	2,603,771	(1,021,494)
EXPENDITURES				
General Government	597,950	628,024	474,861	153,163
Protection to Persons and Property	937,900	997,811	663,893	333,918
General Health and Sanitation	1,122,750	1,131,020	124,041	1,006,979
Social Services	14,700	27,872	24,482	3,390
Recreation and Culture	179,300	196,336	192,034	4,301
Debt Service			42,795	(42,795)
Administration	765,150	636,687	595,403	41,284
Total Expenditures	3,617,750	3,617,750	2,117,509	1,500,241
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	7,515	7,515	486,262	478,747
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds			49,480	49,480
Transfers To Other Funds	(238,766)	(238,766)	(180,955)	57,811
Total Other Financing Sources (Uses)	(238,766)	(238,766)	(131,475)	107,291
Net Changes in Fund Balance	(231,251)	(231,251)	354,787	586,038
Fund Balance - Beginning	231,251	231,251	1,083,586	852,335
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,438,373	\$ 1,438,373

LARUE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,091,001	\$ 1,091,001	\$ 912,073	\$ (178,928)
Charges for Services	1,500	1,500		(1,500)
Miscellaneous	16,000	16,000	22,549	6,549
Interest	3,000	3,000	5,746	2,746
Total Revenues	1,111,501	1,111,501	940,368	(171,133)
EXPENDITURES				
Roads	1,034,650	1,068,071	774,518	293,553
Administration	203,500	170,079	133,246	36,832
Total Expenditures	1,238,150	1,238,150	907,764	330,386
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(126,649)	(126,649)	32,604	159,253
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds			30,857	30,857
Transfers From Other Funds	101,649	101,649		(101,649)
Total Other Financing Sources (Uses)	101,649	101,649	30,857	(70,792)
Net Changes in Fund Balance	(25,000)	(25,000)	63,461	88,461
Fund Balance - Beginning	25,000	25,000	48,606	23,606
Fund Balance - Ending	\$ 0	\$ 0	\$ 112,067	\$ 112,067

LARUE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,464,400	\$ 1,464,400	\$ 1,353,459	\$ (110,941)
Charges for Services	22,600	22,600	14,437	(8,163)
Miscellaneous	52,500	52,500	32,942	(19,558)
Interest	1,200	1,200	978	(222)
Total Revenues	<u>1,540,700</u>	<u>1,540,700</u>	<u>1,401,816</u>	<u>(138,884)</u>
EXPENDITURES				
Protection to Persons and Property	1,291,350	1,315,790	1,215,105	100,685
Debt Service	226,167	226,727	226,362	365
Administration	280,300	255,300	223,135	32,165
Total Expenditures	<u>1,797,817</u>	<u>1,797,817</u>	<u>1,664,602</u>	<u>133,215</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(257,117)</u>	<u>(257,117)</u>	<u>(262,786)</u>	<u>(5,669)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	<u>137,117</u>	<u>137,117</u>	<u>180,955</u>	<u>43,838</u>
Total Other Financing Sources (Uses)	<u>137,117</u>	<u>137,117</u>	<u>180,955</u>	<u>43,838</u>
Net Changes in Fund Balance	(120,000)	(120,000)	(81,831)	38,169
Fund Balance - Beginning	<u>120,000</u>	<u>120,000</u>	<u>139,304</u>	<u>19,304</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 57,473</u>	<u>\$ 57,473</u>

LARUE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Reconciliation of General Fund

Total Revenues - Budgetary Basis	\$ 2,603,771
Sheriff's Payments on Vehicle Lease	6,083
LaRue Co Golf Association Payment on Debt	20,000
Total Revenues - Modified Cash Basis	<u>\$ 2,629,854</u>
 Total Expenditures - Budgetary Basis	 \$ 2,117,509
Debt Service:	
Sheriff's Vehicles Lease	6,083
LaRue Co Golf Association Debt	20,000
Total Expenditures - Modified Cash Basis	<u>\$ 2,143,592</u>

Note 3. Reconciliation of Jail Fund

Total Expenditures - Budgetary Basis	\$ 1,664,602
Transfer to Courthouse Improvements Bond Fund	
For Debt Service	(213,060)
Total Expenditures - Modified Cash Basis	<u>\$ 1,451,542</u>
 Other Financing Sources(Uses) - Budgetary Basis	 \$ 180,955
Transfer to Courthouse Improvements Bond Fund	(213,060)
Total Other Financing Sources(Uses) - Modified Cash Basis	<u>\$ (32,105)</u>

LARUE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2010

LARUE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2010

	Courthouse Improvements Bond Fund 1999	Courthouse Improvements Grant 1998	Total Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1	\$ 1,230	\$ 1,231
Total Assets	<u>1</u>	<u>1,230</u>	<u>1,231</u>
FUND BALANCES			
Unreserved:			
Debt Service Funds	<u>1</u>	<u>1,230</u>	<u>1,231</u>
Total Fund Balances	<u>\$ 1</u>	<u>\$ 1,230</u>	<u>\$ 1,231</u>

The accompanying notes are an integral part of the financial statements.

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LARUE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2010

LARUE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2010

	Courthouse Improvements Bond Fund 1999	Courthouse Improvements Grant 1998	Total Non-Major Governmental Funds
REVENUES			
Total Revenues	\$	\$	\$
EXPENDITURES			
Debt Service	146,910	64,920	211,830
Total Expenditures	146,910	64,920	211,830
Excess (Deficiency) of Revenues Over Expenditures	(146,910)	(64,920)	(211,830)
Other Financing Sources (Uses)			
Transfers From Other Funds	146,910	66,150	213,060
Total Other Financing Sources(Uses)	146,910	66,150	213,060
Net Change in Fund Balances		1,230	1,230
Fund Balances - Beginning	1		1
Fund Balances - Ending	\$ 1	\$ 1,230	\$ 1,231

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Tommy Turner, LaRue County Judge/Executive
Members of the LaRue County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LaRue County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated March 22, 2011. LaRue County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LaRue County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LaRue County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of LaRue County Fiscal Court's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether LaRue County's financial statements as of and for the year ended June 30, 2010, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

March 22, 2011

